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EU protected cheeses in Italy - Production, storage aids and trade measures

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Report Highlights:

Cheeses protected by EU protected Geographic Indications (PDO – Protected Designation of Origin and PGI – Protected Geographic Indication) represent a significant portion of Italy's cheese production. Some of them benefit of a dedicated EU private storage aid. Sheep cheese Pecorino Romano also benefits of export subsidies for some countries, but not for the United States.

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Executive Summary

Cheeses protected by EU protected Geographic Indications (PDO – Protected Designation of Origin and PGI – Protected Geographic Indication) represent a significant portion of the country's cheese production. Some of them benefit of a dedicated EU private storage aid. There are two separate regimes, one for cow's milk hard cheeses: Parmigiano Reggiano, Grana and Provolone; the other for sheep's milk hard cheese Pecorino. Sheep cheese Pecorino Romano also benefits from export subsidies when exported to some countries, but not for the United States.

Cheeses protected by EU registered Geographic Indications - Production

There are 31 cheeses in Italy protected by the EU Geographic Indication system, and they represent 21% of all the Italian EU protected geographic indications. Four major cheeses represent almost 80% of the annual production of EU protected cheeses, while Parmigiano Reggiano and Grana (i.e. parmesan type cheeses) represent alone more than half of the volume produced.

| Protected Indication | Production 2003 tons | % of total |
|---------------------------------|-------------------------|-------------|
| Grana Padano | 144,980 | 33% |
| Parmigiano Reggiano | 113,455 | 26% |
| Gorgonzola | 46,540 | 11% |
| Pecorino Romano | 31,002 | 7% |
| Mozzarella di Bufala Campana | 28,278 | 6% |
| Asiago | 23,339 | 5% |
| Taleggio | 9,715 | 2% |
| Provolone Valpadana | 8,958 | 2% |
| Others | 32,585 | 7% |
| TOTAL Italian GI cheeses | 438,850 | 100% |

EU protected cheeses account for about 38% of total milk use in Italy (not only cow milk) and for about half of cheese use. The value of such production was about 3 bln Euros (3.7 bln US\$) in 2002.

Parmigiano Reggiano and Grana Padano – Production and trade

Parmigiano Reggiano cheese production in 2004 was 116,855 tons, up 3% from 113,455 in 2003. Exports in 2004 were as follows:

| Country | Total tons | % |
|----------------|---------------|------|
| EU 25 | 12,562 | 78.4 |
| Usa | 1,312 | 8.2 |
| Japan | 992 | 6.2 |
| Canada | 707 | 4.4 |
| Other extra EU | 304 | 1.9 |
| Switzerland | 153 | 1 |
| World | 16,030 | |

Source. Consortium of Parmigiano Reggiano

Production of Grana Padano was 144,980 tons in 2003 and grew by about 3% in 2004 to 149,300 tons. Exports are about 20% of the annual production and are equally divided between EU and non-EU countries.

No official data is available for Parmigiano Reggiano and Grana separately as they are both included in the same HS code (04069061 "Italian type cheese"). The combined export figure for 2003 and 2004 results as follows.

| Country | 2003 | | 2002 | |
|---------------|---------------|------------|---------------|------------|
| | tons | % of total | tons | % of total |
| United States | 8,327 | 20% | 8,231 | 19% |
| Switzerland | 6,141 | 14% | 5,753 | 13% |
| Asia | 1,975 | 5% | 2,365 | 6% |
| Canada | 1,646 | 4% | 1,727 | 4% |
| World | 42,690 | | 46,262 | |

Source. Italian trade office

Provolone production and trade are much less significant.

Storage aids for Parmigiano Reggiano, Grana and Provolone

Some Italian hard cheeses are granted an EU private storage aid by virtue of Commission Regulation (EC) No 2659/94 of 31 October 1994 (on detailed rules for the granting of private storage aid for Grana padano, Parmigiano-Reggiano and Provolone cheeses). The Regulation sets the following rules:

Actors: Private storage contracts shall be concluded between the intervention agency designated by the Member State and a natural or legal person.

Age of the cheese to be stored: the cheeses must be of the minimum age provided for in Article 8 of Regulation EC 1255/99 on the date when storage under the contract commences and that is:

- Grana Padano: 9 months
- Parmigiano Reggiano: 15 months
- Provolone: 3 months

Lots: each lot of cheeses covered by the contract must weight at least two tons;

Quality requirements: the cheeses must be of sound and fair marketable quality and be indelibly stamped with:

- a mark issued by the agency appointed by the Member State,
- the number of the undertaking which has manufactured them,
- the month of manufacture, which may be in code,
- a special storage mark put on the cheeses when they are taken into storage in order to distinguish them from those not covered by a storage contract;

Duration of storage: The aid may be granted only for a period exceeding 60 days but not exceeding:

- 180 days in the case of Grana padano,
- 255 days in the case of Parmigiano-Reggiano,
- 150 days in the case of Provolone.

Controls: The national authorities responsible for checks shall undertake:

- an unannounced check to see that the products are present in the storeroom. The sample concerned must be representative and must correspond to at least 10 % of the overall quantity under contract for a private storage aid measure. Such checks must include, in addition to an examination of the records, a physical check of the weight and nature of the product and its identification. Such physical checks must relate to at least 5 % of the quantity subjected to the unannounced check;
- a check to see that the products are present at the end of the storage period under contract.

Aid Amounts: up until now, the amount of private storage aid for cheese was set by Commission Regulation (EC) No 1231/2004 of 1 July 2004:

- EURO 10 per tonne for the fixed costs;
- EURO 0,25 per tonne per day of storage under contract for the warehousing costs;
- for the financial costs, per day of storage under contract:
 - EUR 0.32 per tonne for Grana padano;
 - EUR 0.52 per tonne for Parmigiano-Reggiano;
 - EUR 0.26 per tonne for Provolone.

The management Committee for dairy products decided on April 28, 2005 to cut by 13.4% the aid (15 Euros/ton) for Grana Padano and by 22.4% (46 Euros/ton) the aid for Parmigiano Reggiano.

The new maximum aids result as follows:

- Grana padano EURO 97.5/ton;
- Parmigiano-Reggiano EURO 160.5/ton;
- Provolone EURO 86.5/ton.

Subsidised private stocks were as follows:

| | 31-Dec-01 | 31-Dec-02 | 31-Dec-03 | 31-Dec-04 | 30-Jan-05 |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Product | <i>tons</i> | | | | |
| Grana Padano | 40,698 | 42,311 | 52,608 | 50,135 | 52,487 |
| Parmigiano Reggiano | 50,214 | 48,862 | 54,337 | 60,841 | 57,020 |
| Provolone | 3,467 | 132 | 0 | 2,670 | 1,498 |

Parmigiano Reggiano, Grana – Management of U.S. Tariff Rate Quota

Export of Parmigiano Reggiano and Grana to the U.S. is subject to a Tariff-Rate Quota (TRQ). A low tariff rate, called the low-tier rate, applies to imports up to a specific quantity. A higher tariff rate applies to any imports in excess of that amount. TRQs are administered by USDA's Foreign Agricultural Service (FAS).

USDA allocates a quota to the EU-25 for the different categories of cheeses, then the member states decide how to allocate them within the Union. The assigned quota for EU-25 for 2005 of Italian-type cheeses is 5.4 mln kilos.

In Italy, export permits for cheeses exported to the United States are managed by the Ministry of Productive Activities, Area for Internationalization. Italian companies have to apply for a quota within specific dates before the beginning of the year. The application period for 2005 was between October 26 and 29, 2004.

Pecorino Romano – Production and trade

Italian production of Pecorino Romano cheese in 2003 was about 37,000 tons. About 97% of it is produced in Sardinia, the rest in Lazio and Toscana regions.

Slightly less than 50% of the Pecorino Romano is exported to the United States, main import destinations are:

| Country | 2003 | | 2002 | |
|--------------------|---------------|------------|---------------|------------|
| | tons | % of total | tons | % of total |
| United States | 17,869 | 82% | 17,720 | 83% |
| Canada | 1,036 | 5% | 712 | 3% |
| Asia | 167 | 1% | 195 | 1% |
| Other destinations | 2,620 | 12% | 2,741 | 13% |
| World | 21,692 | | 21,368 | |

HS Code for Pecorino Romano is: 0406 90 63 9100. Please note that it is a different code from "Italian-type cheese".

Pecorino Romano – Private storage aids

Private storage aids for pecorino are regulated by Commission Regulation (EC) No 824/2003 of 13 May 2003 laying down detailed rules of application for Council Regulation (EC) No 1255/1999 (as regards private storage aid for certain cheeses in the 2003/2004 marketing year).

The regulation sets the following: The difficulties arising from the seasonal nature of the production of certain long-keeping cheeses and of Pecorino Romano, Kefalo-Tyri and Kasseri are aggravated by a seasonality of consumption that is the inverse of that of production. The unconsolidated production system for such cheeses further aggravates these difficulties. Provision should therefore be made for recourse to seasonal storage of a quantity corresponding to the difference between summer and winter production.

The implementation of the private storage regime is implemented on an annual basis through ad hoc regulations. The latest is Commission Regulation (EC) No 1244/2004 of 6 July 2004 laying down detailed rules for the application of Council Regulation (EC) No 1255/1999 as regards the granting of private storage aid for certain cheeses in the 2004/05 storage period. (available at: <http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:32004R1244:EN:HTML>)

Actors: Storage contracts shall be concluded between the intervention agency of the Member State on whose territory the cheese is stored and natural or legal persons (contractors below).

Aid amounts:

- a) EURO 10/ton for fixed costs;
- b) EURO 0.25/ton per day of contractual storage for warehousing costs;
- c) EURO 0.28/ton per day of contractual storage for financial costs.

The amounts were reduced from previous campaign (2003/04) when they were EURO 20/ton for fixed cost and Euro 0.38/ton/day for financial cost.

Duration: No aid shall be granted if the contractual storage is less than 60 days. The maximum aid payable shall be for 180 days of contractual storage

The **maximum volumes** of product which may qualify for the aid are:

| | 2001/02 | 2002/03 | 2003/04 | 2004/05 |
|-----------------------|----------------|----------------|----------------|----------------|
| Maximum volume (tons) | 15,000 | 15,000 | 15,000 | 19,000 |

For the 2004/05 campaign storage could begin between July 8, 2004 and December 31, 2004 and end by March 31, 2005. Cheese for private storage had to be produced after November 30, 2005 and be cured for at least 90 days at the beginning of the storage. According to AGEA, the Italian agency for EU payments, pecorino in stock at December 31, 2004 was 17,369 tons.

Pecorino Romano – Export restitutions

Export restitutions were very high until a few years ago (even as high as market price) but have been decreasing over the last few years. The latest rates are fixed by EU Regulation 224/2005 of February 10, 2005. They are as follows:

| Countries | Countries' code | UOM | Amount |
|--|-----------------|--------------|--------|
| Ceuta, Melilla, Island, Norway, Switzerland, Liechtestain, Andorra, Gibraltar, Vatican, Turkey, Romania, Bulgaria, Croatia. Canada, Australia, New Zealand, Cyprus (non-EU). | L03 | Euros/100 Kg | 0 |
| Albania, Bosnia - Herzegovina, Serbia, Montenegro, Macedonia | L04 | Euros/100 Kg | 48.46 |
| United States | 400 | Euros/100 Kg | 0 |
| Rest of the World | A01 | Euros/100 Kg | 69.89 |